

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

A COMPONENT UNIT OF THE
WEST FELICIANA PARISH POLICE JURY

ST. FRANCISVILLE, LOUISIANA

OCTOBER 31, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

5/19/10

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

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OCTOBER 31, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

We have audited the accompanying financial statements of West Feliciana Parish Hospital Service District No. 1 (the Hospital), a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of and for the years ended October 31, 2009 and 2008. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Louisiana Governmental Audit Guide, published jointly by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Feliciana Parish Hospital Service District No. 1, a component unit of West Feliciana Parish Police Jury, State of Louisiana, at October 31, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2010, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Hospital taken as a whole. The accompanying supplemental information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

West Feliciana Parish Hospital Service District No. 1 has not presented Management's Discussion and Analysis, of which accounting principles generally accepted in the United States has determined is necessary to supplement, but not required to be a part of, the basic financial statements.

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

April 13, 2010

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF NET ASSETS

OCTOBER 31,

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,738,722	\$ 6,338,320
Investments, Available for Sale, at Market	2,409,237	6,547,890
Accounts receivables, less allowance for doubtful accounts of \$2,043,525 in 2009, and \$1,450,592 in 2008	1,732,291	1,320,386
Due from third party payors	3,763	103,369
Other Receivables	2,457,169	930,211
Inventories	398,433	315,420
Prepaid expenses	100,596	74,158
Total Current Assets	<u>8,840,211</u>	<u>15,629,754</u>
ASSETS LIMITED AS TO USE		
Assets Limited as to Use		
Cash	3,607,955	18,466
Investments, Available for Sale, at Market	<u>6,241,952</u>	<u>255,533</u>
Total Assets Limited as to Use	<u>9,849,907</u>	<u>273,999</u>
CAPITAL ASSETS		
Land and Land Improvements	401,837	396,299
Buildings and Leasehold Improvements	3,824,901	2,223,805
Equipment	4,540,366	4,161,737
Construction In Progress	<u>457,842</u>	<u>1,677,261</u>
Gross Capital Assets	9,224,946	8,459,102
Less: Accumulated Depreciation	<u>(4,830,038)</u>	<u>(4,249,797)</u>
Net Capital Assets	<u>4,394,908</u>	<u>4,209,305</u>
TOTAL ASSETS	<u>\$ 23,085,026</u>	<u>\$ 20,113,058</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF NET ASSETS

OCTOBER 31,

<u>LIABILITIES AND NET ASSETS</u>	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 267,532	\$ 300,417
Accounts Receivable - Credit Balances	43,837	26,382
Due to Third Party Payors	611,907	10,533
Deferred Uncompensated Care Revenue	867,765	1,251,257
Deferred Ad Valorem Tax Revenue	516,287	533,561
Accrued Salaries and Wages	129,982	100,320
Accrued Compensated Absences	143,186	149,140
Total Current Liabilities	<u>2,585,496</u>	<u>2,371,610</u>
TOTAL LIABILITIES	<u>2,585,496</u>	<u>2,371,610</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,394,908	4,209,305
Restricted for Capital Projects (Expendable)	9,849,907	273,999
Unrestricted Net Assets	<u>6,254,715</u>	<u>13,258,144</u>
TOTAL NET ASSETS	<u>20,499,530</u>	<u>17,741,448</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,085,026</u>	<u>\$ 20,113,058</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

OCTOBER 31,

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Net Patient Service Revenues	\$ 12,695,053	\$ 10,264,921
Other operating revenue	16,830	11,730
TOTAL OPERATING REVENUE	<u>12,711,883</u>	<u>10,276,651</u>
OPERATING EXPENSES:		
Salaries, Wages, and Benefits	4,924,623	4,564,809
Professional Services	2,434,569	2,275,663
Supplies and Other	1,182,263	912,561
Provision for Bad Debts	2,563,021	1,800,267
Depreciation	646,683	496,874
Other Operating Expenses	900,118	905,756
TOTAL OPERATING EXPENSES	<u>12,651,277</u>	<u>10,955,930</u>
INCOME (LOSS) FROM OPERATIONS	<u>60,606</u>	<u>(679,279)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	388,762	401,377
Interest Expense	(1,559)	(3,048)
Tax Revenues	2,115,385	2,047,943
Grant Revenue	97,334	52,671
Loss on Sale of Assets	(22,950)	(3,147)
Proceeds from Insurance and FEMA	103,059	-
Other Nonoperating Revenues (Expenses)	17,445	18,803
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,697,476</u>	<u>2,514,599</u>
CHANGE IN NET ASSETS	<u>2,758,082</u>	<u>1,835,320</u>
TOTAL NET ASSETS, BEGINNING	<u>17,741,448</u>	<u>15,906,128</u>
TOTAL NET ASSETS, ENDING	<u>\$ 20,499,530</u>	<u>\$ 17,741,448</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF CASH FLOWS

OCTOBER 31,

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients	\$ 11,933,941	\$ 10,520,115
Cash payments to suppliers for goods and services	(7,967,884)	(5,992,863)
Cash payments to employees for services	(4,953,331)	(4,542,507)
Net Cash Flow Used in Operating Activities	<u>(987,274)</u>	<u>(15,255)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tax Receipts	2,132,659	2,015,146
Grant Receipts	97,334	52,671
Insurance Proceeds	103,059	-
Miscellaneous Income	17,442	18,803
Net Cash Provided by Noncapital Financing Activities	<u>2,350,494</u>	<u>2,086,620</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(855,271)	(1,989,087)
Interest Paid	(1,559)	(3,048)
Net Cash Used in Capital and Related Financing Activities	<u>(856,830)</u>	<u>(1,992,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(5,576,596)	(2,679,982)
Sales and Maturities of Investments	3,728,830	2,284,178
Interest Received	331,232	401,377
Proceeds from the Sale of Assets	35	-
Net Cash Provided by (Used In) Investing Activities	<u>(1,516,499)</u>	<u>5,573</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,010,109)	84,803
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR,		
INCLUDING \$18,466 AND \$6,106 LIMITED AS TO USE		
FOR 2009 AND 2008, RESPECTIVELY	<u>6,356,786</u>	<u>6,271,983</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING		
\$3,607,955 AND \$18,466 LIMITED AS TO USE FOR 2009		
AND 2008, RESPECTIVELY	<u>\$ 5,346,677</u>	<u>\$ 6,356,786</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

STATEMENT OF CASH FLOWS

OCTOBER 31,

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 60,606	\$ (679,279)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	646,683	496,874
Provision for Doubtful Accounts	2,563,021	1,800,267
Loss on Disposal of Fixed Assets	22,985	3,147
Increase in Patient Accounts Receivable	(2,957,471)	(1,958,445)
Decrease in Due from Third Party Payors	99,606	275,579
(Increase) Decrease in Other Receivables	(1,526,958)	248,252
Increase in Inventories	(83,013)	(68,634)
Increase in Prepaid Expenses	(26,438)	(14,675)
Increase (Decrease) in Accounts Payable	(32,885)	98,978
Increase (Decrease) in Due to Third Party Payors	601,374	(221,047)
Decrease in Deferred Uncompensated Care Revenue	(383,492)	26,030
Increase (Decrease) in Accrued Salaries and Wages	29,662	(60,914)
Increase (Decrease) in Accrued Compensated Absences	(954)	38,612
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (987,274)</u>	<u>\$ (15,255)</u>

The accompanying notes are an integral part of these financial statements.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital District No. 1 (the "Hospital") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is composed of all the territory situated within the limits of the Parish of West Feliciana.

The governing authority of the Hospital consists of a board of seven commissioners, all of whom are qualified electors of West Feliciana Parish. The Commissioners serve with pay, per diem, and reimbursement of actual out-of-pocket expenses incurred in the performance of their duties.

The public purpose of the Hospital is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, and improve hospitals, clinics, laboratories, nursing homes, and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the Hospital will find useful in the study of, research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution.

The Hospital's component unit financial statements are an integral part of the West Feliciana Parish Police Jury's comprehensive annual financial report.

Accounting Standards

The Hospital utilizes the proprietary fund method of accounting, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

As a Proprietary Fund, the Hospital distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing patient services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hospital's proprietary fund are charges to customers related to patient services. Operating expenses for the Hospital's proprietary fund include patient care expenses, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the Hospital in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Hospital has elected not to follow subsequent private-sector guidance.

During fiscal year 2002, the Hospital elected to early implement GASB Statement No. 34, "Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities at the date of the financial statements during the reporting period. Actual results could differ from those estimates.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont)

Risk Management

The Hospital Service District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of (1) Hospital professional liability and comprehensive general liability, and (2) Statutory workers' compensation. The Hospital carries commercial insurance for all other risks of loss. As of the balance sheet date, the Hospital has no known malpractice claims exceeding its coverage.

Restricted Resources

When the hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of ninety days or less. Under state law, the hospital may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments

Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Trade Receivables and Allowance for Doubtful Accounts

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont)

Inventories

Inventories are valued at lower of cost (First-In, First-Out Method) or market.

Property and Equipment

Property and equipment is stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The hospital had no such interest cost for the years ended October 31, 2009 and 2008.

The following estimated useful lives are generally used:

Building and Leasehold Improvements	5 - 40 years
Equipment	5 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont)

Net Patient Service Revenue

Prior to January 1, 2002, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services and defined capital and medical education cost related to Medicare beneficiaries were paid based on a cost reimbursement methodology and predetermined fee schedules. The Hospital became a "Critical Access Hospital" (CAH) effective January 1, 2002. This enabled the hospital to receive cost based reimbursement from Medicare on or after January 1, 2002.

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus one percent (subject to limits, rules and regulations), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through October 31, 2008.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus ten percent, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through October 31, 2006.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont)

Rural hospitals can be reimbursed up to 100% for uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as Uncompensated Care (UCC) payments. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized. Coverage for uncompensated care is based on the State's fiscal year.

Advalorem Taxes

Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

Grants and Donations

Grants and donations (including capital contributions of assets) are recognized as revenue when all eligibility requirements, including time requirements, imposed by the provider have been met.

Income Taxes

The Hospital is a political subdivision and exempt from taxes.

Advertising

The Hospital expenses advertising costs as incurred.

Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

New Accounting Pronouncements

FASB issued Statement No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 2 - MAJOR SOURCES OF REVENUE

Revenue from the Medicare, Medicaid, and Uncompensated Care Cost (UCC) programs accounted for approximately 23.5 percent, 18.7 percent, and 13.4 percent, respectively, of the Hospital's net patient revenue for the year ended October 31, 2009, and 22.3 percent, 10.0 percent and 18.8 percent, respectively, of the Hospital's net patient revenue, for the year ended October 31, 2008.

The October 31, 2009 and 2008 net patient service revenue decreased approximately \$116,672 and \$13,795, respectively, as a result of final settlements and years that are no longer subject to audits, reviews, and investigations.

NOTE 3 - NET PATIENT SERVICE REVENUE

The following schedule represents Net Patient Service Revenue:

	<u>2009</u>	<u>2008</u>
Gross Patient Service Revenue	\$ 15,975,720	\$ 12,361,680
Less: Contractual Adjustments	<u>(4,983,996)</u>	<u>(4,030,854)</u>
Net Patient Service Revenue Before Uncompensated Care	10,991,724	8,330,826
Uncompensated Care Income	<u>1,703,329</u>	<u>1,934,095</u>
Net Patient Service Revenue	<u>\$ 12,695,053</u>	<u>\$ 10,264,921</u>

NOTE 4 - DEFERRED UNCOMPENSATED CARE REVENUE

The Hospital receives a disproportionate share payment for uncompensated care. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year. Included in the net patient service revenue for 2009 and 2008, respectively, is additional reimbursement for Medicaid Uncompensated Care adjustments of \$1,703,329 and \$1,934,095.

NOTE 5 - CASH AND INVESTMENTS

At October 31, for the years ended 2009 and 2008, the Hospital's had bank balances defined as cash and cash equivalents as follows:

	<u>2009</u>	<u>2008</u>
Insured (FDIC)	\$ 500,000	\$ 345,793
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's Name	<u>6,199,052</u>	<u>8,244,535</u>
Total collateral held for bank balances	<u>\$ 6,999,052</u>	<u>\$ 8,590,328</u>
Total carrying value per bank	<u>\$ 5,467,323</u>	<u>\$ 6,503,976</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 5 - CASH AND INVESTMENTS - (cont)

There were no under-collateralized bank balances as of October 31, 2009. For the year ended October 31, 2008, cash deposits at the Bank of St. Francisville were under-collateralized by approximately \$242,753.

Certificates of Deposit, although not considered cash and cash equivalents due to original maturities of greater than three months, were insured by the FDIC for \$1,514,854 and \$1,415,944; and collateralized by securities held by the pledging institution's trust department in the Hospital's name for \$894,383 and \$713,975 for October 31, 2009 and 2008, respectively.

The Hospital's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; investment grade commercial paper of domestic United States corporations; one of the two highest short-term rating categories of either Standards & Poor's Corporation or Moody's Investors Service; and government backed mutual trust funds.

The Hospital's investments generally are reported at fair value. In accordance with SFAS No. 157, the Hospital Service District groups assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. For example, municipal securities valuations are based on markets that are currently offering similar financial products. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 5 - CASH AND INVESTMENTS - (cont)

Below is a table that presents information about certain assets and liabilities measured at fair value on a recurring basis:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets/Liabilities Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Certificates of Deposit	\$2,409,237	\$	-	\$
FNMA Notes and Federal Home Loan Bank Bonds and Notes	4,694,392	4,694,392	-	-
Treasury Bills	<u>1,547,560</u>	<u>1,547,560</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,651,189</u>	<u>\$ 8,651,189</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - ASSETS LIMITED AS TO USE

During the fiscal year ended October 31, 2009, the board of commissioners of the hospital resolved to increase the amount of funds included in funded depreciation. This includes Merrill Lynch accounts, a savings account, and the Treasury Direct account. The resolution states "all funds on deposit.... together with all funds here after added to and interest accrued thereon held in those accounts are hereby dedicated and reserved for the replacement of depreciable capital assets or portions thereof".

Assets whose use is limited under agreements with third parties for funded depreciation are summarized as follows.

	<u>2009</u>	<u>2008</u>
<u>Cash</u>		
Merrill Lynch Cash and Government Fund Yielding .07% to .25%	\$ 3,001,257	\$ 18,466
Hancock Bank Savings Yielding .10%	<u>606,698</u>	<u>-</u>
Total Cash Limited to Use	<u>3,607,955</u>	<u>18,466</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 6 - ASSETS LIMITED AS TO USE (cont)

	<u>2009</u>	<u>2008</u>
<u>Investments</u>		
Merrill Lynch	4,694,392	255,533
FNMA Notes, Federal Home		
Bank Bonds and Notes		
Yielding 0.00%		
to 7.25%		
Treasury Bills	<u>1,547,560</u>	<u>-</u>
Total Investments Limited as to Use	<u>6,241,952</u>	<u>255,533</u>
Total Assets Limited As to Use	<u>\$ 9,849,907</u>	<u>\$ 273,999</u>

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term and long-term investments. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS (cont)

The carrying amounts and fair values of the Hospital's financial instruments at October 31, 2009, and 2008, are as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,738,722	\$ 1,738,722	\$ 6,338,320	\$6,338,320
Investments	\$ 2,409,237	\$ 2,409,237	\$ 6,547,890	\$6,547,890
Assets limited as to use	\$ 9,849,907	\$ 9,849,907	\$ 273,999	\$ 273,999
Accounts payable and accrued expenses	\$ 545,700	\$ 545,700	\$ 549,877	\$ 579,877
Estimated receivable from third party payors	\$ 3,763	\$ 3,763	\$ 103,369	\$ 103,369
Estimated payable to third party payors	\$ 611,907	\$ 611,907	\$ 10,533	\$ 10,533

NOTE 8 - ACCOUNTS RECEIVABLE - PATIENTS

Patients Accounts Receivable consists of the following:

	<u>2009</u>	<u>2008</u>
Total Patient Accounts Receivable	\$ 3,775,816	\$ 2,770,979
Less: Allowance for Uncollectible Accounts	<u>(2,043,525)</u>	<u>(1,450,593)</u>
Net Patient Accounts Receivable	<u>\$ 1,732,291</u>	<u>\$ 1,320,386</u>

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Hospital is located in St. Francisville, Louisiana, and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at October 31, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Medicare	18.9%	21.4%
Medicaid	10.5%	11.3%
Commercial and other third-party payors	<u>70.6%</u>	<u>67.3%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 10 - ACCOUNTS RECEIVABLE - OTHER

Other Accounts Receivable consists of the following:

	<u>October 31,</u> <u>2009</u>	<u>October 31,</u> <u>2008</u>
Accrued Uncompensated Care	\$ 1,301,164	\$ -
Uncollected Sales Tax Revenue	547,251	327,144
Accrued Maintenance Ad Valorem Tax Revenue	514,592	533,152
All Other	<u>94,162</u>	<u>69,915</u>
Total Accounts Receivable - Other	<u>\$ 2,457,169</u>	<u>\$ 930,211</u>

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Property, Plant, and Equipment is as follows:

	<u>10/31/2008</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>10/31/2009</u>
Land and Land Improvements	\$ 396,299	\$ 5,538	\$ -	\$ 401,837
Building and Leasehold Imp.	2,223,805	1,618,801	17,705	3,824,901
Equipment	4,161,737	450,351	71,722	4,540,366
Construction in Progress	<u>1,677,261</u>	<u>160,210</u>	<u>1,379,629</u>	<u>457,842</u>
Gross Capital Assets	8,459,102	2,234,900	1,469,056	9,224,946
Allowance for Depreciation	<u>(4,249,797)</u>	<u>(646,683)</u>	<u>(66,442)</u>	<u>(4,830,038)</u>
Total Property, Plant and Equipment	<u>\$ 4,209,305</u>	<u>\$1,588,217</u>	<u>\$1,402,614</u>	<u>\$4,394,908</u>

Depreciation expense for the years ended October 31, 2009 and 2008, amounted to \$646,683 and \$496,874, respectively.

NOTE 12 - TAX REVENUE

The Hospital receives tax revenue from sales tax and property tax collected on purchases and property assessments in West Feliciana Parish. The sales tax is used for the operation of the Hospital and the property tax is to be used for operation and maintenance of the Hospital.

The following tax revenues were received in the fiscal years under audit:

	<u>2009</u>	<u>2008</u>
Sales Tax	\$ 1,562,525	\$ 1,513,704
Ad Valorem Tax	530,863	511,487
State Revenue Sharing	<u>21,997</u>	<u>22,752</u>
Total Tax Revenues	<u>\$ 2,115,385</u>	<u>\$ 2,047,943</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 13 - COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when earned. Employees can earn and vest in vacation leave according to years of service as shown below.

<u>Years of Service:</u>	<u>Full Time Employees</u>
Less than 5 years	6.67 hours per month
After 5 years	10.00 hours per month
After 10 years	13.33 hours per month

Sick pay is not vested and therefore not accrued. Employees only vest in vacation leave after one year of employment. The hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued compensated absences at October 31, 2009 and 2008 totaled \$148,186 and \$149,140 respectively.

NOTE 14 - RETIREMENT PLAN

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches dollar for dollar of contributions made by an employee up to six percent of the employees compensation. Total payroll for the fiscal years ended October 31, 2009 and 2008, was \$3,956,834 and \$3,714,322 respectively. Covered payroll was \$3,943,820 and \$3,652,727 for the years 2009 and 2008, respectively. Total pension expense was \$142,530 and \$132,200 for 2009 and 2008, respectively.

NOTE 15 - PAYMENTS TO BOARD MEMBERS

The following is a schedule showing the amount paid to board members for the years ended October 31:

	<u>2009</u>	<u>2008</u>
Mitch Brasier	\$ 480	\$ 320
Walter Weller	-	40
Raymond Minor	560	400
John Thompson	-	40
Thomas Flynn	200	320
David Walker	320	400
Cheryl Franklin	480	440
Barbara Edmisten	440	360
Sydney Picou	<u>480</u>	<u>360</u>
Total Director's Fees	\$ <u>2,960</u>	\$ <u>2,680</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

NOTE 16 - OPERATING LEASES

LESSEE

The Hospital leases various equipment and facilities that are classified as operating leases. At October 31, 2009, there were no operating leases with remaining terms in excess of one year.

Total lease expense was \$44,083 in 2009 and \$131,414 in 2008.

LESSOR

The Hospital leases office space within the hospital to various medical service providers, under operating leases with terms ranging from month-to-month to one year. Revenues from these leases totaled \$12,160 in 2009 and \$11,820 in 2008. These revenues are included in other non-operating revenue in the financial statements.

NOTE 17 - CASH FLOWS SUPPLEMENTAL INFORMATION

Total cash and cash equivalents for October 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 1,738,722	\$ 6,338,320
Assets whose use is limited - cash	<u>3,607,955</u>	<u>18,466</u>
Ending Cash and Cash Equivalents	<u>\$ 5,346,677</u>	<u>\$ 6,356,786</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

PATIENT SERVICE REVENUE

	<u>2009</u>	<u>2008</u>
Emergency Services	\$ 2,477,726	\$ 1,907,528
Emergency Services - Physician's Fees	1,388,148	1,159,752
Nursing Services	704,672	520,810
Pharmacy	466,505	402,602
Laboratory	3,500,398	2,116,581
Radiology -Diagnostic	913,879	810,773
Surgery	82,186	59,836
Wound Care	463,020	364,316
CT Scan	1,898,952	1,136,922
MRI Scan	395,834	366,161
Ultrasound	254,903	213,420
Echocardiogram	290,613	183,939
Electrocardiology	105,873	99,462
Physical Therapy	918,357	866,732
Respiratory Therapy	620,675	611,045
Speech Therapy	9,949	47,239
Occupational Therapy	185,309	122,392
Intensive Outpatient Psychiatric Program	109,025	304,596
Sleep Studies	187,500	91,500
Ambulance Service	861,591	877,065
Central Services	48,487	43,755
Blood Bank	45,921	24,653
All Other	46,197	30,601
Gross Patient Service Revenue	15,975,720	12,361,680
Less: Contractual Adjustments	(4,983,996)	(4,030,854)
Net Patient Service Revenue before Uncompensated Care	10,991,724	8,330,826
Uncompensated Care Income	1,703,329	1,934,095
Net Patient Service Revenue	\$ 12,695,053	\$ 10,264,921

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

	<u>2009</u>	<u>2008</u>
SALARIES, WAGES, AND BENEFITS		
Nursing	\$ 971,305	\$ 918,086
Laboratory Technicians	356,131	302,351
Radiology	294,776	261,441
Surgery	5,146	2,280
Ultrasound	81,104	86,046
Echocardiogram	26,360	30,686
Respiratory Therapy	287,454	245,728
Ambulance	602,852	588,506
Dietary Management	90,993	102,139
Business Office	459,586	405,414
Administrative	129,153	160,669
Plant Operations	184,982	178,016
Medical Records	136,622	119,378
Housekeeping	136,507	130,345
Utilization Review	73,450	67,014
All Other Salaries	<u>120,413</u>	<u>116,223</u>
Total Salaries and Wages	3,956,834	3,714,322
Total Benefits	<u>967,789</u>	<u>850,487</u>
Total Salaries, Wages, and Benefits	<u>\$ 4,924,623</u>	<u>\$ 4,564,809</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

	<u>2009</u>	<u>2008</u>
PROFESSIONAL FEES		
Emergency Room Physician Fees	\$ 1,064,635	\$ 878,388
Nursing	2,300	4,339
Pharmacy	60,990	50,400
Surgery	-	1,386
Laboratory	120,616	97,891
Radiology	13,250	17,453
Wound Care	210,980	175,600
CT Scan	2,550	2,842
MRI Scan	103,593	100,385
Ultrasound	7,418	380
Echocardiogram	5,833	4,646
Physical Therapy	332,285	267,977
Respiratory Therapy	7,073	28,334
Speech Therapy	4,050	16,035
Occupational Therapy	53,535	48,945
Intensive Outpatient Psychiatric Program	72,800	219,960
Sleep Studies	30,250	13,200
Ambulance	3,570	10,151
Blood	25,514	13,822
Laundry/Linen	96,095	106,216
Dietary	27,945	15,730
Doctor's Offices	3,146	6,450
Plant Operations	61,843	67,414
Administrative	69,391	87,841
Business Office	18,465	16,095
All Other	36,442	23,783
Total Professional Fees	<u>\$ 2,434,569</u>	<u>\$ 2,275,663</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

	<u>2009</u>	<u>2008</u>
SUPPLIES AND OTHER EXPENSES		
Emergency Room	\$ 51,360	\$ 34,496
Nursing	50,449	53,473
Pharmacy	190,530	140,942
Surgery	5,951	781
Laboratory	284,167	206,578
Radiology	19,327	28,687
Wound Care	473	5,994
CT Scan	29,605	4,935
MRI Scan	108	-
Ultrasound	6,604	4,903
Physical Therapy	22,379	9,673
Respiratory Therapy	33,361	22,145
Intensive Outpatient Psychiatric Program	2,668	3,388
Ambulance	71,651	81,235
Central Services	59,532	48,465
Housekeeping	28,459	26,508
Dietary	61,055	42,383
Plant Operations	109,236	110,806
Administrative	41,814	20,996
Business Office	40,067	59,587
All Other	73,467	6,586
Total Supplies and Other Expenses	<u>\$ 1,182,263</u>	<u>\$ 912,561</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO.1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

	<u>2009</u>	<u>2008</u>
OTHER OPERATING EXPENSES		
Nursing Services	\$ 16,525	\$ 22,247
Pharmacy	1,682	263
Laboratory	10,993	4,055
Radiology	41,578	39,065
CT Scan	2,280	570
Ultrasound	3,002	-
Physical Therapy	2,767	5,402
Ambulance	1,552	5,709
Medical Records	4,745	3,619
Plant Operations	146,249	161,364
Administrative	122,401	121,043
Collection Fees	86,794	81,772
Audit and Legal Fees	100,017	38,778
Postage	10,411	10,920
Equipment Rental	44,083	131,414
Dues and Subscriptions	13,673	17,586
All Other	291,366	261,949
Total Other Operating Expenses	<u>\$ 900,118</u>	<u>\$ 905,756</u>

**LANGLINAIS
BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



Ellen P. Langlinalis, C.P.A.
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

We have audited the financial statements of West Feliciana Parish Hospital Service District No. 1, a component unit of the West Feliciana Parish Police Jury, State of Louisiana (The Hospital), as of and for the years ended October 31, 2009 and 2008, and have issued our report thereon dated April 13, 2010.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Hospital, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hospital's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hospital's financial statements that is more than inconsequential will not be prevented or detected by Hospital's internal control. We consider all deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hospital's internal control. We consider all findings described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance required to be reported under *Government Auditing Standards*.

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of the West Feliciana Parish Hospital Service District No. 1 and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLAIS, BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

April 13, 2010

WEST FELICIANA PARISH HOSPITAL
SERVICE DISTRICT NO. 1
PARISH OF WEST FELICIANA
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN
FOR THE YEAR ENDED OCTOBER 31, 2009

We have audited the financial statements of West Feliciana Hospital Service District No.1, a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of and for the year ended October 31, 2009 and 2008, and have issued our report thereon dated April 13, 2010.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of October 31, 2009 and 2008 resulted in unqualified opinions.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance

Compliance Material to Financial Statements	Yes
---	-----

Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2009-1 Compliance

The hospital has reported several compliance issues to the board during the fiscal year under audit. The hospital's maintenance supervisor is suspected to have used hospital equipment and salvaged goods for personal use, and the Hospital's CEO was receiving compensation from a vendor of the hospital.

Criteria: To ensure good internal controls, best practices for governmental entities, and compliance with Louisiana and United States law and regulations.

Effect: Reported issues include possible violations of Louisiana Code of Governmental Ethics, LA R.S. 42:1101, LA R.S. 42:1112, Louisiana Constitutional Article VII, Section 14, LA R.S. 49:125, and several of the Hospital's own policies, including its Code of Conduct.

Recommendation: The hospital should continue to consult with its compliance attorney on these matters and seek to improve policies and procedures to include preventative and monitoring controls on compliance matters.

Management's Response: The CEO and compliance committee will continue to consult with its compliance attorney on reported compliance issues and cooperate with any investigations. The hospital will seek to improve policies and procedures to include preventative and monitoring controls on compliance matters. The CEO has since been terminated and the maintenance supervisor has been disciplined.

WEST FELICIANA PARISH HOSPITAL
SERVICE DISTRICT NO. 1
PARISH OF WEST FELICIANA
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN
FOR THE YEAR ENDED OCTOBER 31, 2009

B- Significant Deficiencies

Finding 2009-2 Financial Statement Preparation

Condition: The hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and because of the limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Criteria: To ensure good internal controls and best practices for governmental entities.

Effect: This condition represents a material weakness in the Hospital's internal control system.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also continue to outsource the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: The hospital's accounting personnel will continue to attend education courses to further their knowledge in the application of GAAP. The hospital will also continue to outsource the preparation of its financials to independent auditors annually, and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Finding 2009-3 Segregation of Duties

Condition: The hospital has several employees whose duties are not segregated.

Criteria: To ensure good internal controls and best practices for governmental entities.

Effect: This condition represents a material weakness in the Hospital's internal control system.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions and the custody of assets related to those transactions should be segregated.

Management Response: The hospital will continue to segregate duties where financially feasible.

WEST FELICIANA PARISH HOSPITAL
SERVICE DISTRICT NO. 1
PARISH OF WEST FELICIANA
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN
FOR THE YEAR ENDED OCTOBER 31, 2009

Finding 2009-4 Disaster Payroll Policy

Condition: During the days after Hurricane Gustav, it was found that employees who worked were paid at overtime rates for regular hours worked. The hospital has not established and approved final policy on disaster pay.

Criteria: To ensure good internal controls and best practices for governmental entities.

Effect: This condition represents a material weakness in the Hospital's internal control system.

Recommendation: The hospital should create a policy outlining how time worked after a disaster should be tracked and what payroll rates are applicable during that time.

Management Response: The CEO and Compliance Committee are working on a policy outlining how time worked after a disaster should be tracked and what payroll rates are applicable during that time. This policy will be completed by the June 2010 Board Meeting.

SECTION III: Management Letter Items

There are no management letter items at October 31, 2009.

WEST FELICIANA PARISH HOSPITAL
SERVICE DISTRICT NO. 1
PARISH OF WEST FELICIANA
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED OCTOBER 31, 2009

Finding 2008-1 Pledged Collateral

It was found that funds deposited were greater than the amount of collateral pledged by the financial institution.

Resolved.

Finding 2008-2 Disaster Pay

It appears that the Hospital paid employees that were unable to come to work during the days after Hurricane Gustav "disaster" pay; this may be defined as payment for non-services.

Resolved.

Finding 2008-3 Compliance

The hospital has reported several compliance issues to the board pertaining to the fiscal year under audit. The hospital's maintenance supervisor is suspected to have used hospital equipment and salvaged goods for personal use, and the Hospital's CEO was receiving compensation from a vendor of the hospital.

Unresolved. See Finding 2009-1.

B- Significant Deficiencies

Finding 2008-4 Financial Statement Preparation

The hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and because of the limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Unresolved. See Finding 2009-2.

Finding 2008-5 Segregation of Duties

The hospital has several employees whose duties are not segregated.

Unresolved. See Finding 2009-3.

WEST FELICIANA PARISH HOSPITAL
SERVICE DISTRICT NO. 1
PARISH OF WEST FELICIANA
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED OCTOBER 31, 2009

Finding 2008-6 Accounts Receivable Write-offs

Accounts receivable write-offs are being approved by management in total amount per batch and quantity of accounts only.

Resolved.

Finding 2008-7 Contracts

A department head acquired bids and signed a contract obligating the Hospital for a period of six months for approximately \$2,300 per month. The hospital's purchasing policy requires all purchases to go through the purchasing department and that all contracts over \$1,000 be approved by the board.

Resolved.

Finding 2008-8 Credit Cards

The hospital has several credit cards, of which only one is monitored by purchasing. Some credit cards are held on a department manager's person. The general use credit card statement shows the account as being under the administrator's name.

Resolved.

Finding 2008-9 Receipts

The custody of payments received through the mail is exchanged through several employees. There is no cash receipts log kept and possession of receipts is not tracked. There is no procedure to ensure that checks received are deposited.

Resolved.

Finding 2008-10 Voided Checks

It was found that voided payroll checks are not being recorded and defaced in a timely manner.

Resolved.

Finding 2008-11 Disaster Payroll Policy

During the days after Hurricane Gustav, it was found that employees who worked were paid at overtime rates for regular hours worked.

Unresolved. See 2009-4.

West Feliciana Parish Hospital

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4/13/10

Legislative Audit Advisory Council
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Council Members,

The hospital will take the following actions in response to the findings of our auditor, Langlinais, Broussard and Kohlenberg for the fiscal year ending 10/31/2009.

Finding 1. Compliance

Response: The CEO and compliance committee will continue to consult with its compliance attorney on reported compliance issues and cooperate with any investigations. The hospital will seek to improve policies and procedures to include preventative and monitoring controls on compliance matters. The CEO has since been terminated and the maintenance supervisor has been disciplined.

Finding 2. Financial Statement Preparation

Response: The hospital's accounting personnel will continue to attend education courses to further their knowledge in the application of GAAP. The hospital will also continue to outsource the preparation of its financials to independent auditors annually, and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Finding 3. Segregation of Duties

Response: The hospital will continue to segregate duties where financially feasible.

Finding 4. Disaster Payroll Policy

Response: The CEO and Compliance Committee are working on a policy outlining how time worked after a disaster should be tracked and what payroll rates are applicable during that time. This policy will be completed by the June 2010 Board Meeting.

Sincerely,



Linda Harvey
Interim CEO